



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Approve Water Meter Cost, Extended Payment and Payment Deferral Plan
MEETING DATE: March 17, 2010
PREPARED BY: Public Works Director

RECOMMENDED ACTION: Approve water meter cost, extended payment and payment deferral plan.

BACKGROUND INFORMATION: At the March 2, 2010 Shirtsleeve meeting, the City Council was presented a number of alternative construction schedule, payment, and payment deferral options. The City Council requested additional information be provided relative to extending the construction timeframe by two years and extending the payment deferral timeframe by one or two years. Additionally, the City Council expressed interest in a \$1,200 cap for property owners for installing new meter services and that information also be provided relative to using Community Development Block Grant (CDBG) funds for grants to very low- and low-income property owners.

Staff has performed these additional analyses, and the results are reported below. Based upon staffs review of the results, the following Water Meter Program construction schedule and property owner payment plan is recommended for approval by the City Council. The final City Council action setting usage-based water rates, water meter costs, extended payment option, and payment deferral plan will occur at the close of the Public Hearing scheduled for July 21, 2010.

Recommended Plan

- A. Five-year construction schedule beginning 2011 and ending 2015.
- B. Set cost now for five classes of meter service installations. Costs would be set as follows:
 - 1. Meter and electronic radio transmitter [ERT] (\$300)
 - 2. Meter and ERT installed in an existing nonstandard box (\$450)
 - 3. Replace Rich Box assembly in rear yard (\$1,200)
 - 4. Replace Rich Box assembly in front yard (\$1,100)
 - 5. Install new service and meter assembly from new water main to residence (\$1,200)
- C. Optional lump sum payment by property owners or seven-year payment installment plan (fixed interest rate at City's Investment Portfolio rate – around 1.5 percent).
- D. Lump sum payment period from April 1, 2011 through June 30, 2011.
- E. Payment installments begin for all property owners on July 1, 2011.
- F. Payment assistance program for very low- and low-income property owners.

Five-Year Construction Schedule. The Water Meter Program combines the replacement of 22.5 miles of substandard water transmission mains with the installation of approximately 13,306 water meters. The estimated total cost of construction is \$37,000,000 including design, construction administration, inspection and construction. Funding for construction is coming from infrastructure replacement revenue and water meter charges. Construction will be divided into five approximately equal phases sequenced

APPROVED:


 Blair King, City Manager

across the community in a northwest to southwest direction. Construction activities will occur from April through October in each year 2011 through 2015.

Previously, a three-year construction timeframe has been at the forefront of discussions with the Council. As presented below, the results of analyses demonstrate that the shortened construction schedule has a negative impact on the cash flow of the Water Capital fund that is partly mitigated by extending the construction timeframe to five years.

Optional Lump Sum or Payment Installments. Exhibit A provides a summary of cost by installation cost, recommended property owner charge by class, and payment installments by class for varying time periods. The six- and seven-year alternatives have been added at City Council's request. The total of all payment installments for the seven-year option is also provided. At the Shirtsleeve meeting, five classes of installation types were reviewed and a diagram of each is provided in Exhibit B. The installation costs vary from \$300 to \$2,000 with an estimated 3,623 properties in the Class 5 category at a cost of \$2,000 each. Results of the water model analysis capping the Class 5 cost at \$1,200 are provided below.

Set Costs Now for Five Installation Classes. Staff recommends that the City Council approve a fixed-cost schedule at the levels presented in Exhibit A for the Water Meter Program. This is a departure from staff's prior recommendation that property owner meter costs be based upon actual construction bids. The recommendation, if approved, will establish equity across all installation classes and simplify the billing and collections process. It is consistent with the methodology incorporated by other communities.

Lump Sum Payments. Canvassing of the 13,306 meter installation locations will be completed by April 1, 2011. By that time, notices will be sent to property owners informing them of their installation class and cost. There will be a 60-day property owner review period and lump sum payments would be accepted through June 30, 2011.

Payment Installments. Payment installments as presented in Exhibit A will be added to the customers' billing (if the property owner) or sent separately to the property owner beginning July 1, 2011 and continue for seven years. Initiating the payment installments at a uniform time and early in the Water Meter Program has a positive impact on the cash flow in the Water Capital fund. Provisions for early retirement of the payment installments will be available. Conversion of a lump sum payment to a payment installment program will not be available. Upon transfer or sale of the property, the payment installment plan will terminate and the balance due will be required to be paid upon notice of service termination.

Payment Assistance Program for Very Low- and Low-Income Property Owners. Staff recommends dedicating CDBG funds to provide grants to at least very low- and possibly low-income property owners receiving a new meter service. The grant program would be initiated this year and grant applications will need to be returned by December 31, 2010 so that property owner eligibility and coverage of the grant program could be determined by the City Council. For example, if eligible grant applications from very low and low income property owners amounted to \$1,500,000 and the work was evenly distributed across the community, the City Council would be asked to commit an average of \$300,000 per year for the next five years. On the other hand, if eligible grant applications amounted to \$3,000,000 and no additional CDBG were available, the City Council might consider funding only the very low-income category and part or none of the low-income category. This decision would be presented to the Council early in 2011 prior to the start of payment installments on July 1, 2011.

Analyses Results. Five different cash flow analyses have been prepared as described in Exhibit C. The fifth alternative resulted from comments at the Shirtsleeve Session and is similar to Alternative 2 but with a five-year construction timeframe. Embedded assumptions in these alternative analyses include:

1. 1-percent rate indexing in the first year and 4-percent rate indexing each of the following nine years.

2. 30 percent of property owners in the Classes 1 and 2 pay lump sum.
3. 10 percent of property owners in Classes 3 through 5 pay lump sum.
4. Payment installments begin in the year of construction for Alternatives 1 through 4 and on July 1, 2011 for Alternative 5.
5. Infrastructure replacement revenue is dedicated to the pipeline replacement (22.5 miles) portion of the water meter program.
6. PCE/TCE cleanup revenues are reserved.

Results of the five analyses are presented in bar chart form in Exhibit D. The results are described below.

Alternative 1. Three-year construction, five-year extended payment plan, payment installments begin in year of construction, and no cap on meter charges – fund deficit occurs over a three-year period with the peak reaching minus \$8.2 million but recovering two years later.

Alternative 2. Three-year construction, five-year extended payment plan, payment installments begin in year of construction, and \$1,200 cap on meter charges – fund deficit occurs over a four-year period (because the water fund is covering the difference between \$2,000 and \$1,200) with the peak reaching minus \$9.3 million and recovering three years later.

Alternative 3. Five-year construction, five-year extended payment plan, payment installments begin in the year of construction, and no cap on meter charges – fund deficit occurs over a three-year period with the peak reaching minus \$4.5 million and recovery occurs a little more than a year later.

Alternative 4. Five-year construction, five-year extended payment plan, payment installments begin in the year of construction, and \$450 cap on meter charges – fund deficit occurs for five years reaching a peak minus \$9.8 million and recovery occurs four years later.

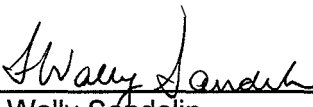
Alternative 5. Five-year construction, seven-year extended payment plan, payment installments begin July 1, 2011, and \$1,200 cap on meter charges – fund deficit occurs for just over three years reaching a peak of minus \$6.5 million with recovery in just over two years.

Alternative 5 is recommended over Alternative 2 if the meter cost is capped because the deficit is smaller with a quicker recovery. Alternative 3 is superior to Alternative 1 if the full meter cost is charged to the property owners and minimizing the size and duration of the deficit is important. Alternative 4 is not recommended unless the construction timeframe was extended to seven years or longer. For all alternatives, fund balance in other sub-funds is sufficient to cover the short-term deficit and the addition of CDBG funds to the program has not been accounted for in the analyses. At this time, staff is not recommending any further exploration of alternative scenarios.

City Council is requested to approve a plan setting water meter costs, the extended payment option and payment deferral as recommended by staff or modified by the City Council.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.



F. Wally Sandelin
Public Works Director

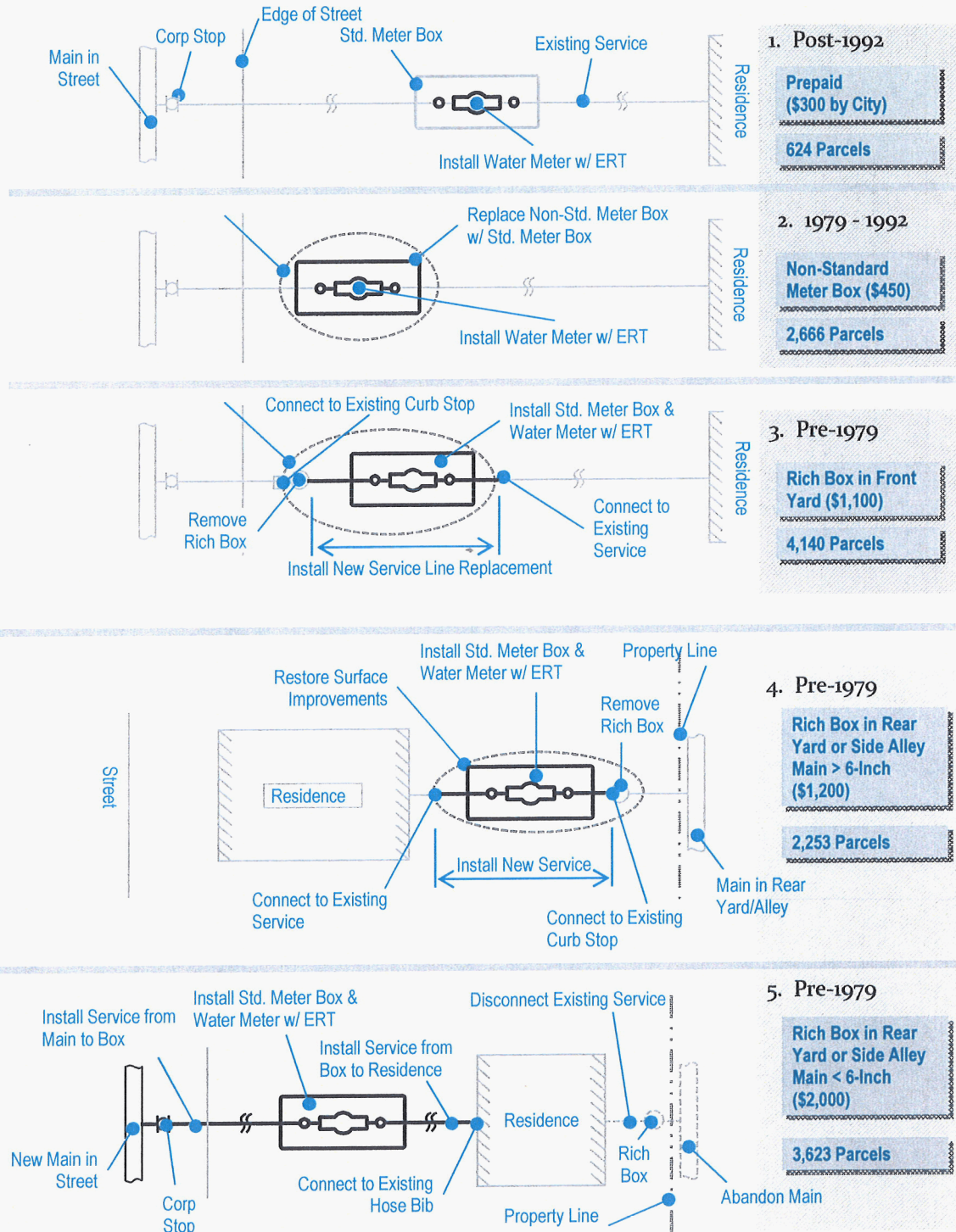
LUMP SUM OR PAYMENT INSTALLMENT ALTERNATIVES

Class	Description	cost	Recommended Charge	Per Month Payment				Total of Payments
				3-Year	5-Year	6-Year	7-Year	
1	Meter and ERT	\$300	\$300	\$8.53	\$5.19	\$4.36	\$3.76	\$315.84
2	Nonstandard Meter Box	\$450	\$450	\$12.79	\$7.79	\$6.54	\$5.65	\$474.60
3	Rich Box in Front Yard	\$1,100	\$1,100	\$31.27	\$19.04	\$15.99	\$13.80	\$1,159.20
4	Rich Box in Rear Yard	\$1,200	\$1,200	\$34.11	\$20.77	\$17.44	\$15.06	\$1,265.04
5	New Meter Service on New Main	\$2,000	\$1,200	\$34.11	\$20.77	\$17.44	\$15.06	\$1,265.04

↑
Recommended

Installation

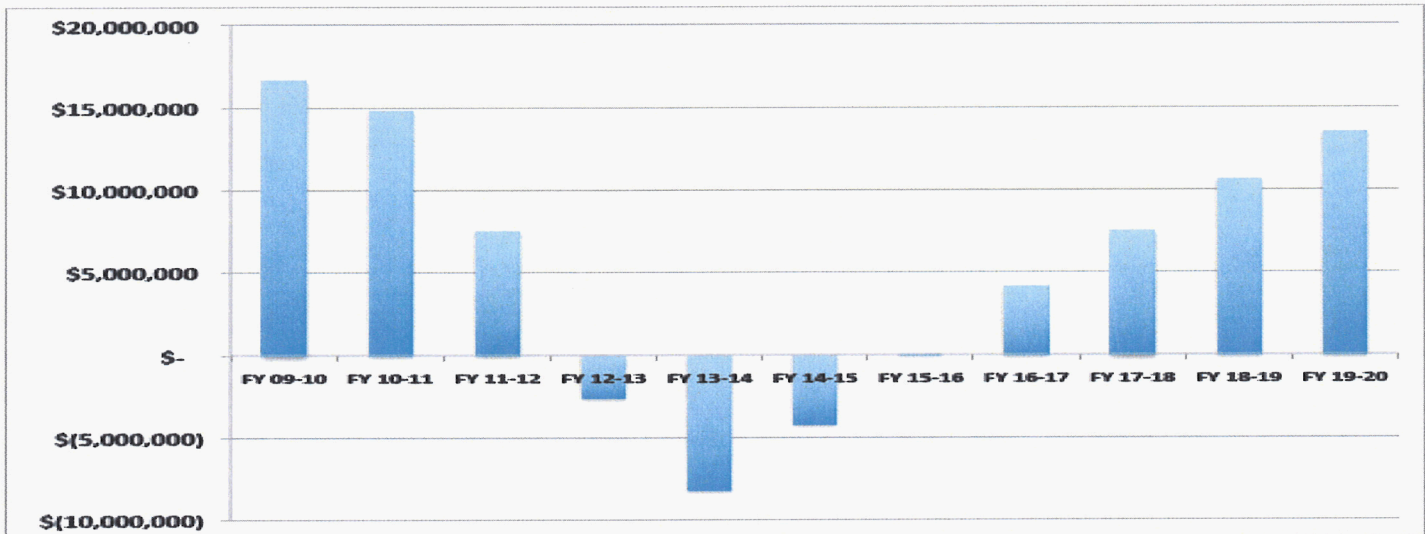
Class



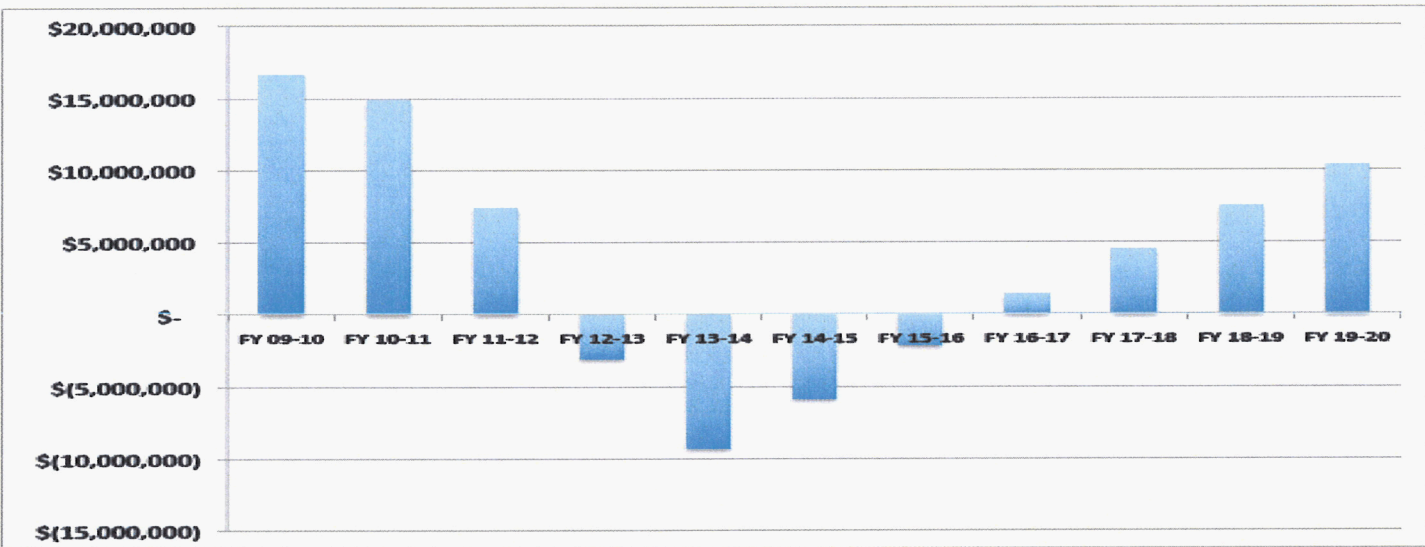
CASH FLOW MODEL ALTERNATIVES

Alternative	Construction Timeframe	Meter Service Cost	Extended Payment Period
1	3 Years	No Cap	5 Years
2	3 Years	\$1,200 Cap	5 Years
3	5 Years	No Cap	5 Years
4	5 Years	\$450 Cap	5 Years
5	5 Years	\$1,200 Cap	7 Years

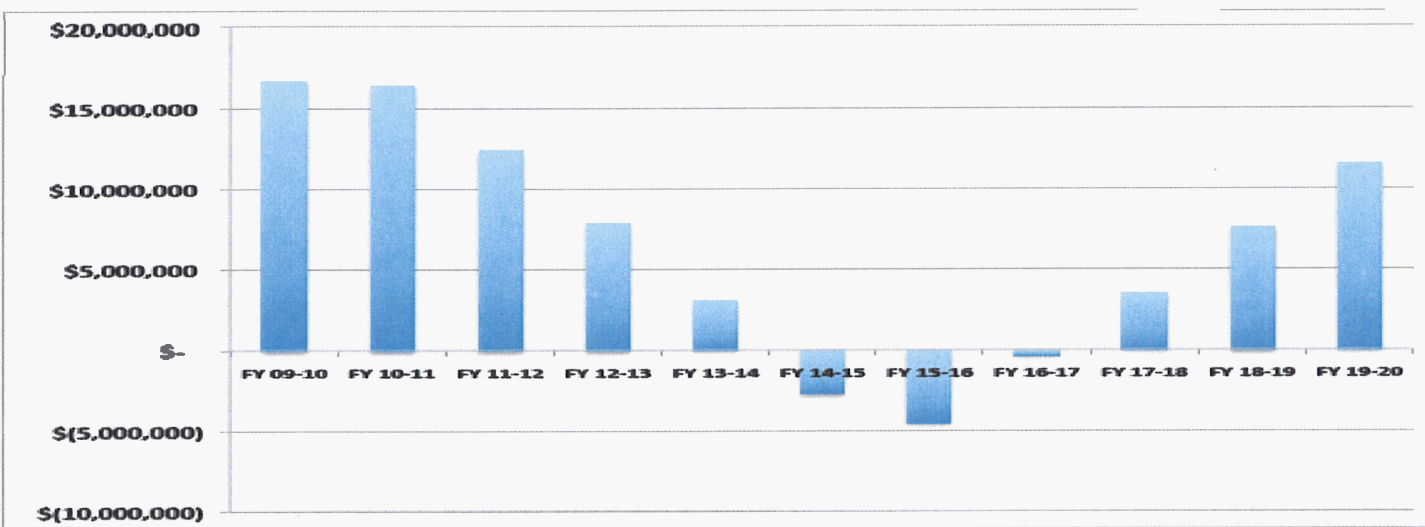
Three-Year Construction, Five-Year Extended Payments, No Cost Cap



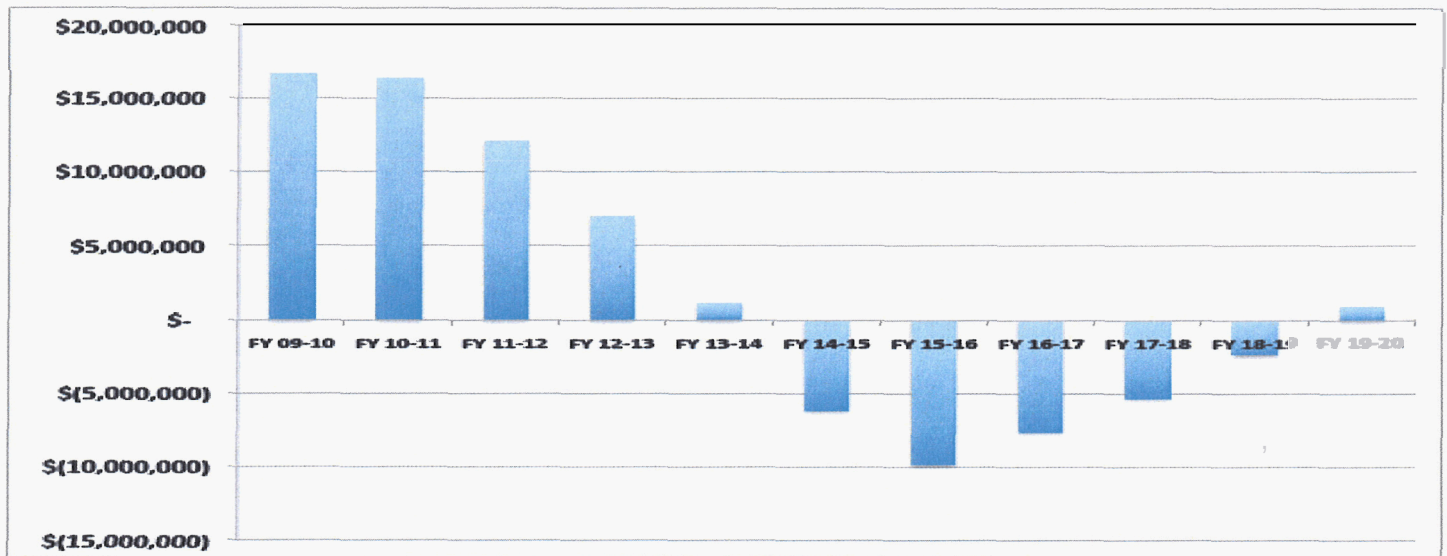
Three-Year Construction, Five-Year Extended Payments, \$1,200 Cost Cap



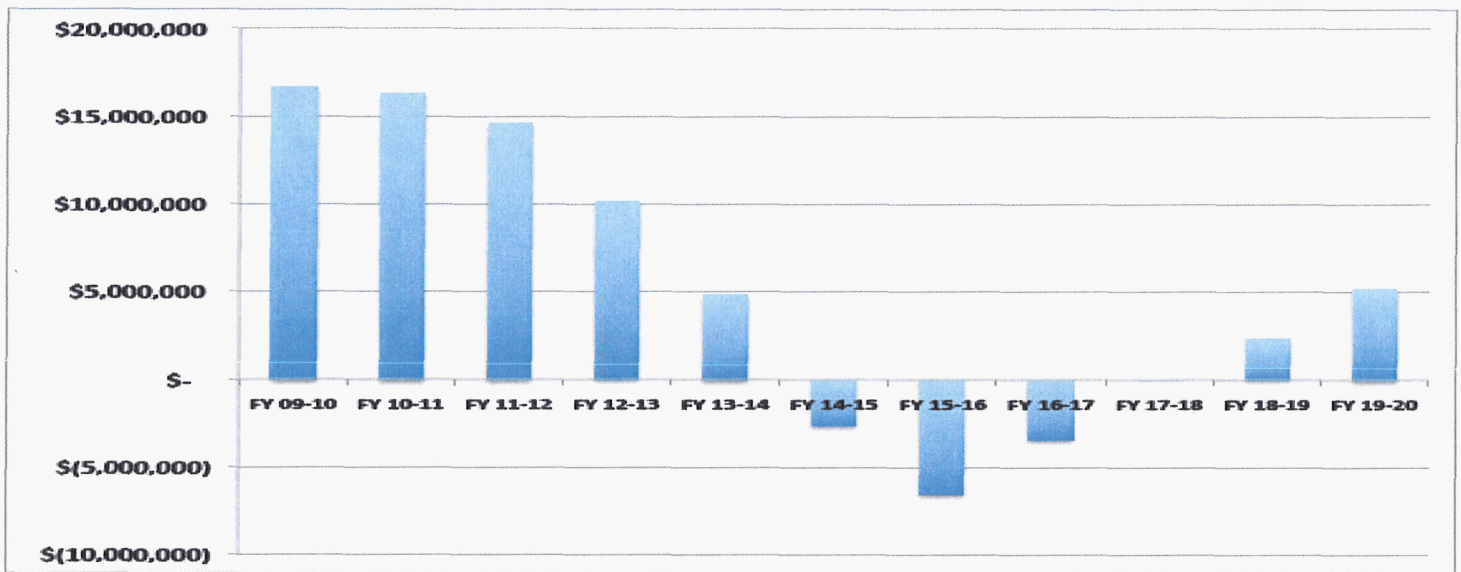
Five-Year Construction, Five-Year Extended Payments, No Cost Cap



Five-Year Construction, Five-Year Extended Payments, \$450 Cost Cap



Five-Year Construction, Seven Year Extended Payments, \$1,200 Cost Cap



The City of Lodi
**Public Works
Water Services**



Water Meter Cost and Payment Plan

Item J2
March 17, 2010



Background

- 1979 to 1993 – Lodi began installing meter ready residential services (2,500)
- 1992 – State law requires meters on all new residential services (3,200)
- 2004 – State law (AB 2752) requires all residential services to be metered (13,000 +)

Recommendation

- Five-year Construction (2011 through 2015)
- Fixed Cost for Five Classes of Installation
- Lump Sum Payment for Seven Year Payment Installments
- Payment Installments Begin July 1, 2011
- Payment Assistance Program for Very Low and Low Income Property Owners





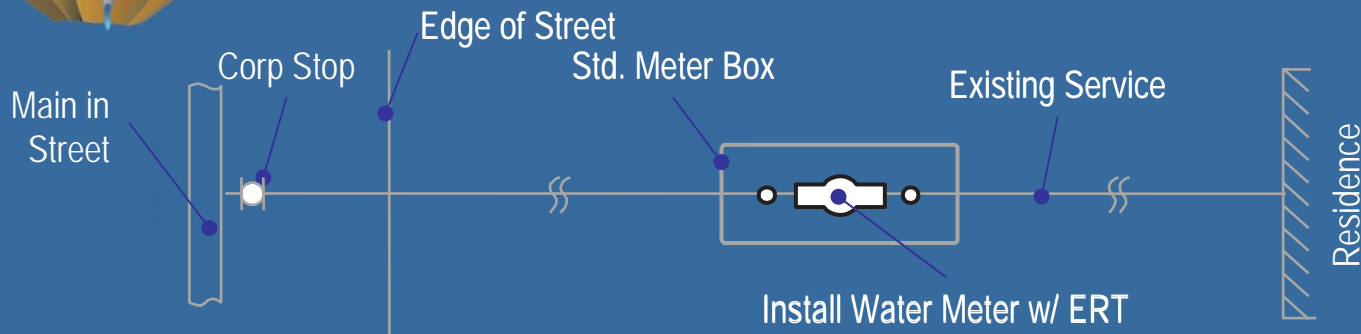
Meter Set Components





Installation

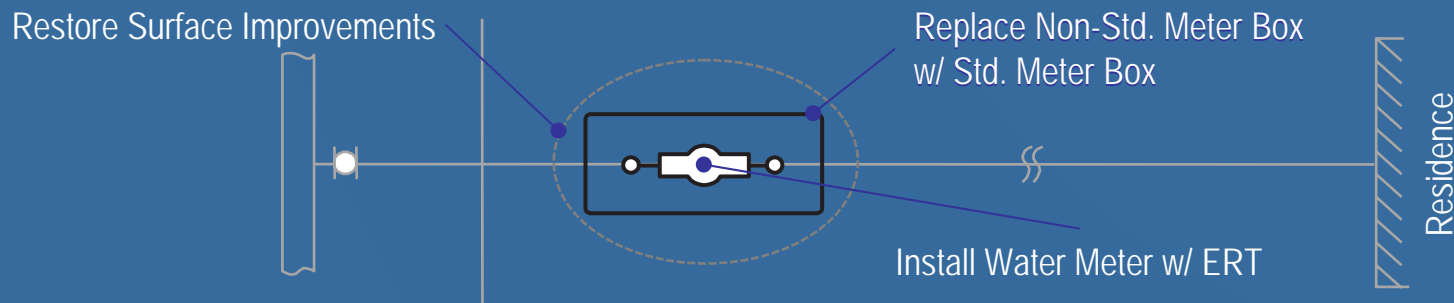
Class



1. Post-1992

Prepaid
(\$300 by City)

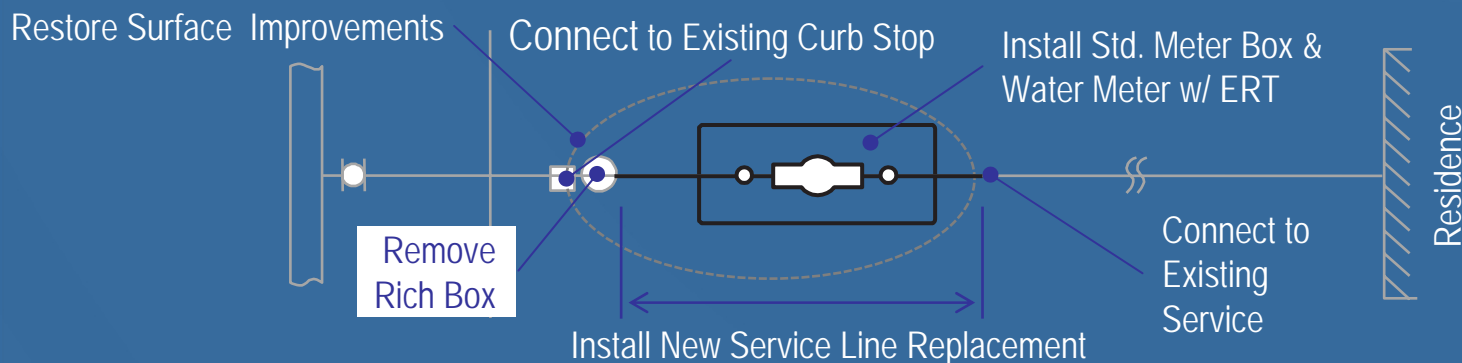
624 Parcels



2. 1979 - 1992

Non-Standard
Meter Box (\$450)

2,666 Parcels



3. Pre-1979

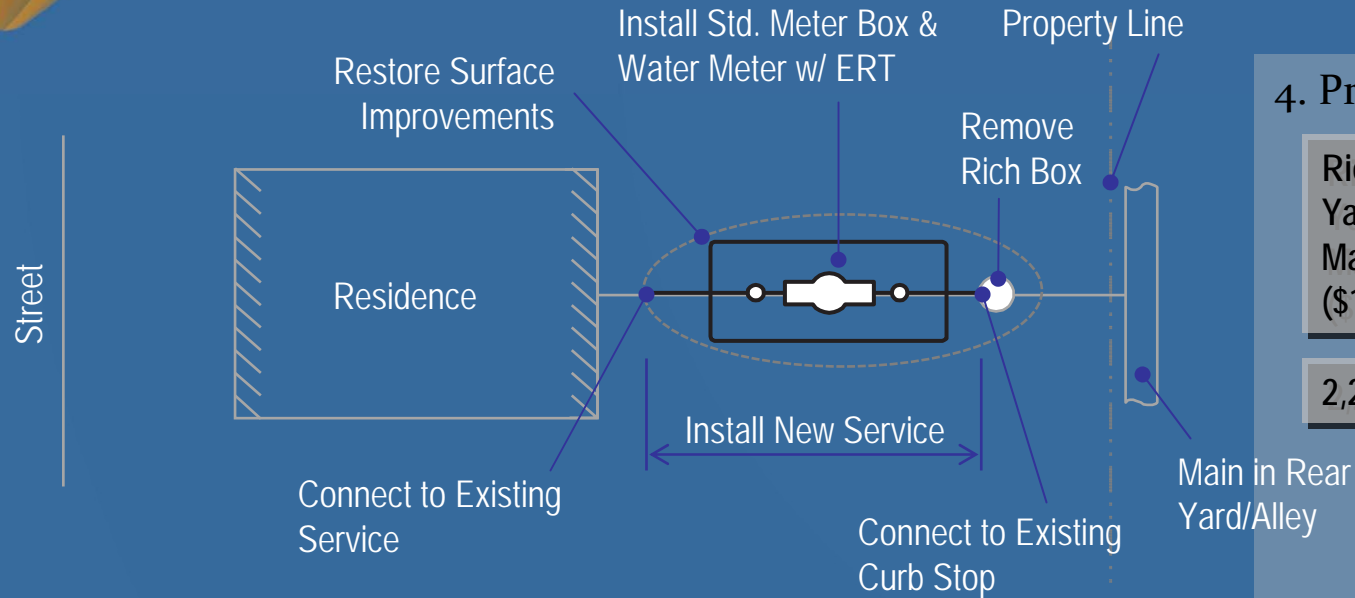
Rich Box in Front
Yard (\$1,100)

4,140 Parcels



Installation

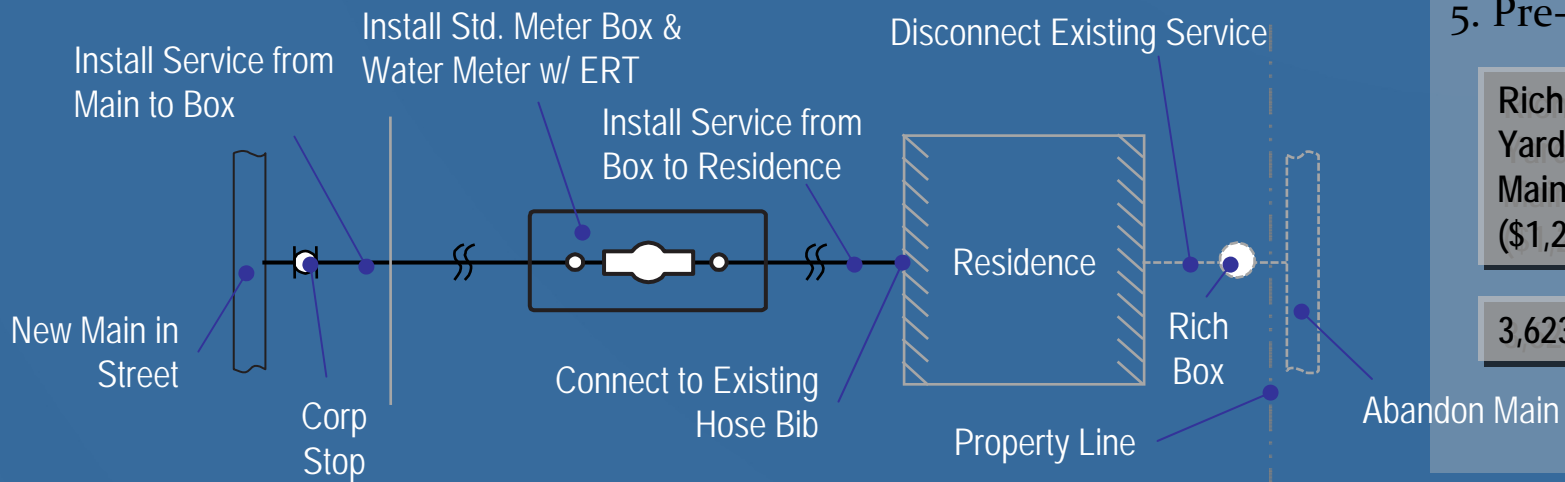
Class



4. Pre-1979

Rich Box in Rear Yard or Side Alley
Main > 6-Inch
(\$1,200)

2,253 Parcels



5. Pre-1979

Rich Box in Rear Yard or Side Alley
Main < 6-Inch
(\$1,200)

3,623 Parcels



Seven Year Payment Plan

Class	Description	Recommended Charge	Monthly Payment	Total All Payments
1	Meter & ERT	\$300	\$3.76	\$315.84
2	Nonstandard Meter Box	\$450	\$5.65	\$474.60
3	Rich Box Front Yard	\$1,100	\$13.80	\$1,159.20
4	Rich Box Rear Yard/Alley	\$1,200	\$15.06	\$1,265.04
5	New Service on New Main	\$1,200	\$15.06	\$1,265.04



Seven Year Payment Plan

- Lump Sum Through June 30, 2011
- Monthly Billing Starts July 1, 2011
- No Penalty For Early Payoff
- Lump Sum Cannot Convert After July 1, 2011
- Payoff Required Upon Sale/Transfer



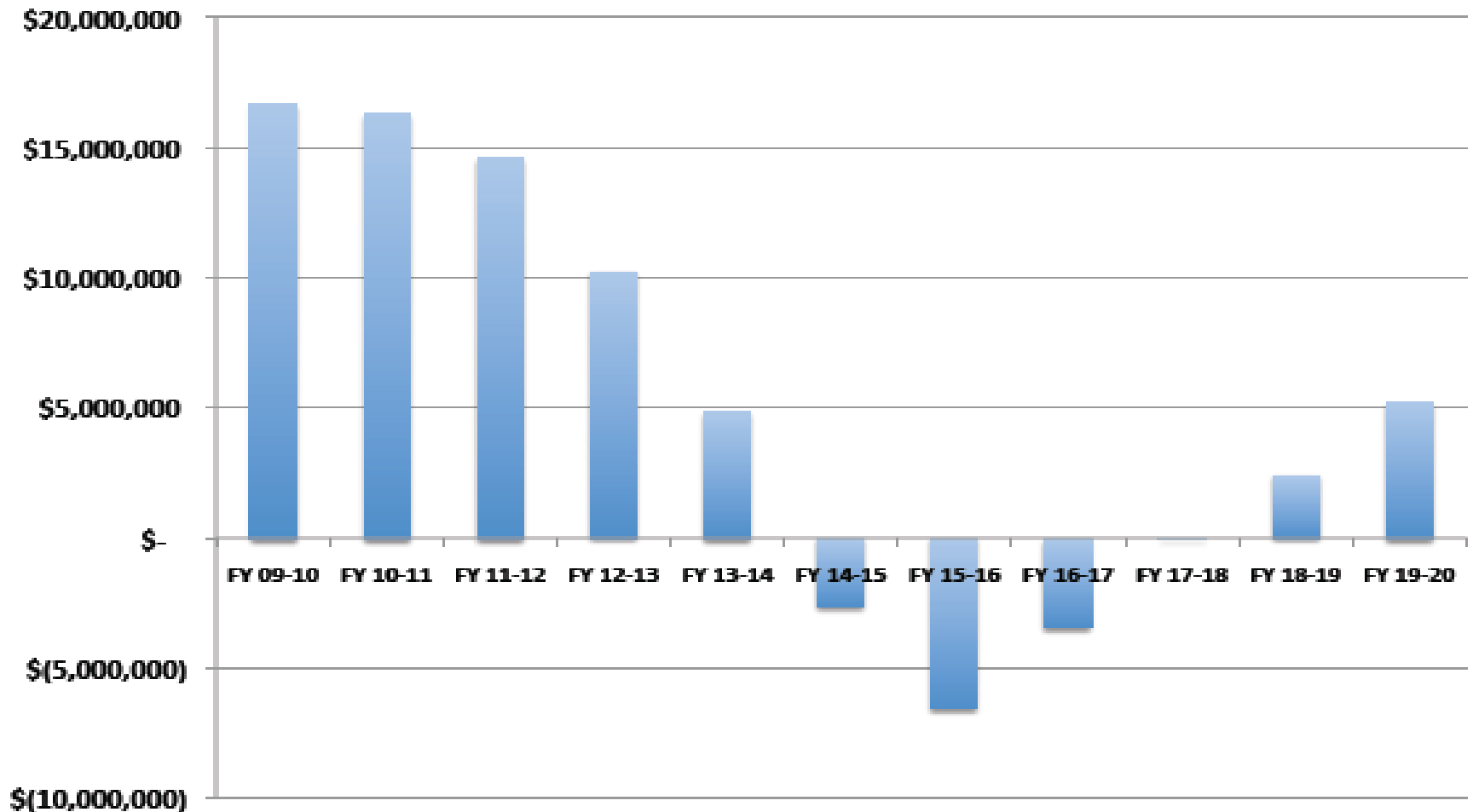
Payment Assistance

- Funding by CDBG
- Estimated Need \$1.5 - \$4.0 Million
- Application Period September through December 2010
- Reconcile Need to Funding 1st Quarter 2011



Program Cash Flow

Five-Year Construction, Seven Year Extended Payments, \$1,200 Cost Cap

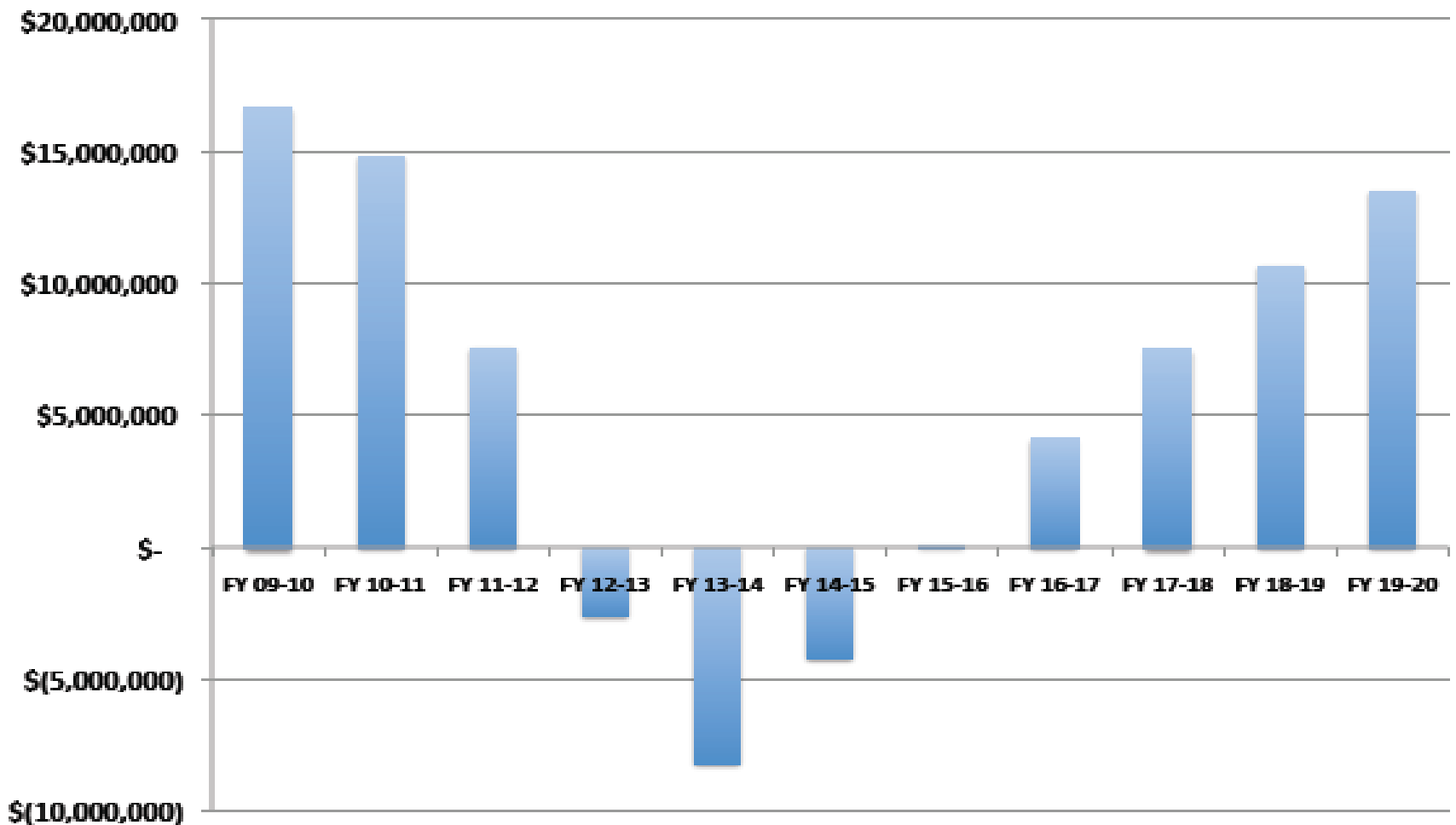




Questions?

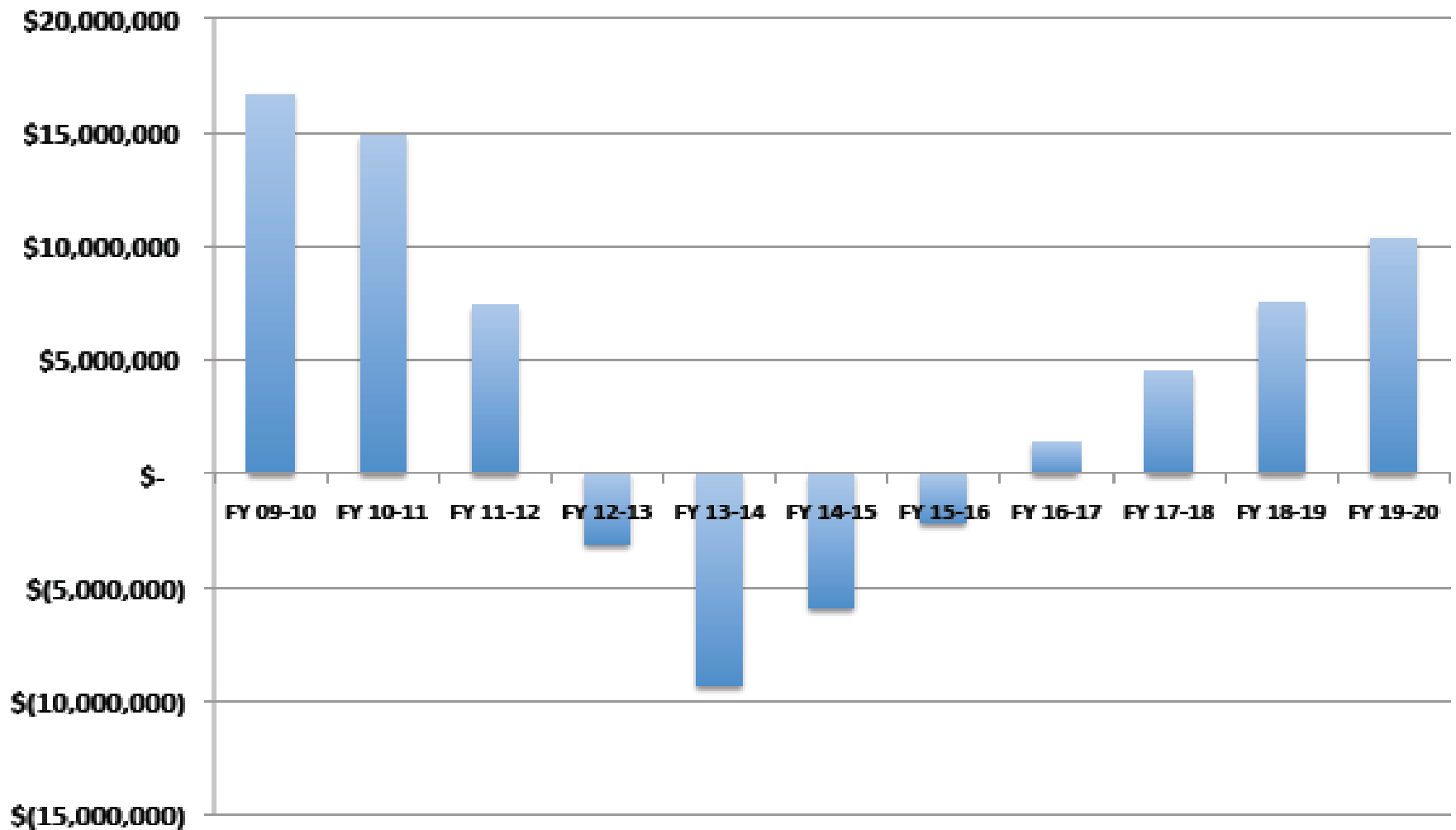


Three-Year Construction, Five-Year Extended Payments, No Cost Cap



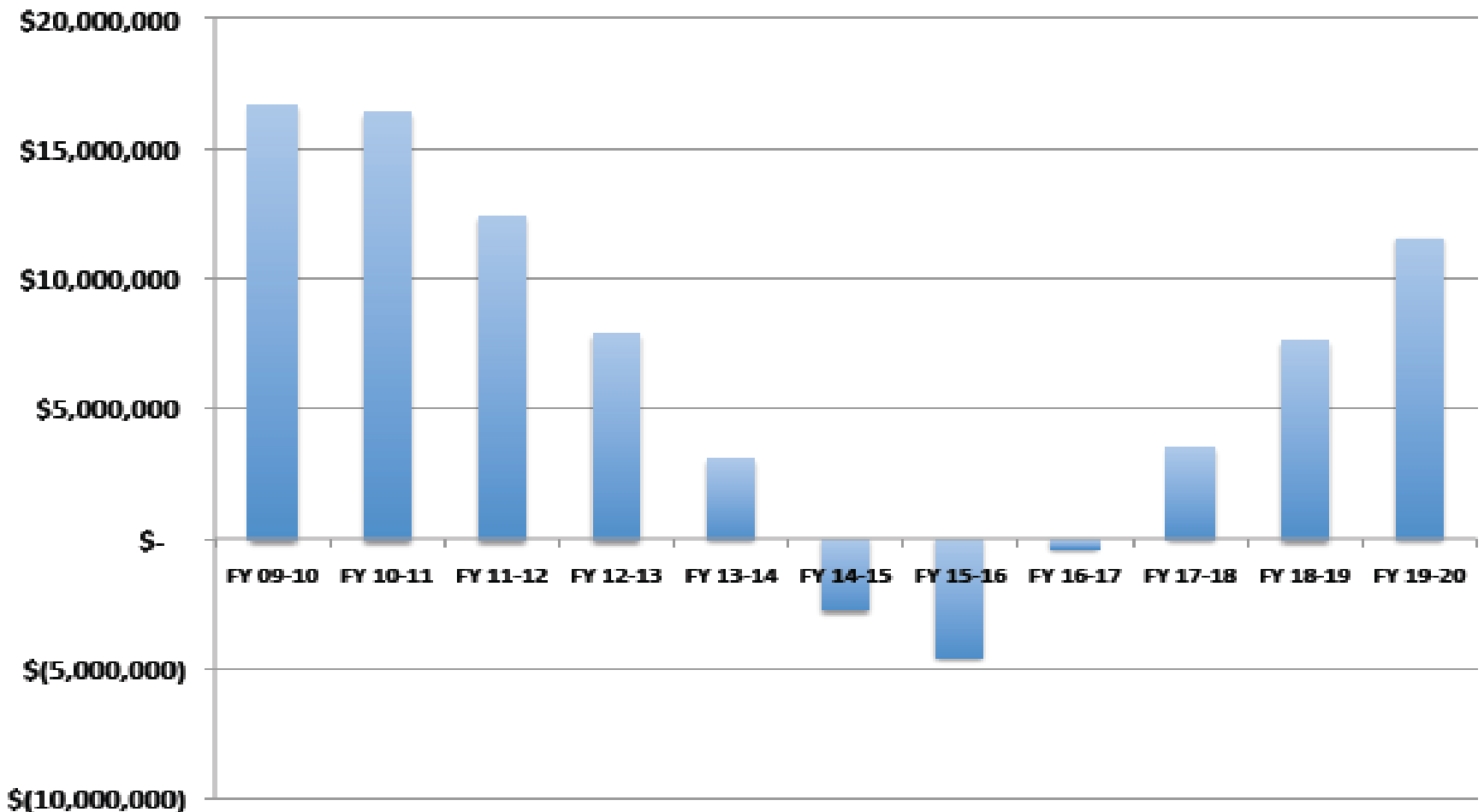


Three-Year Construction, Five-Year Extended Payments, \$1,200 Cost Cap



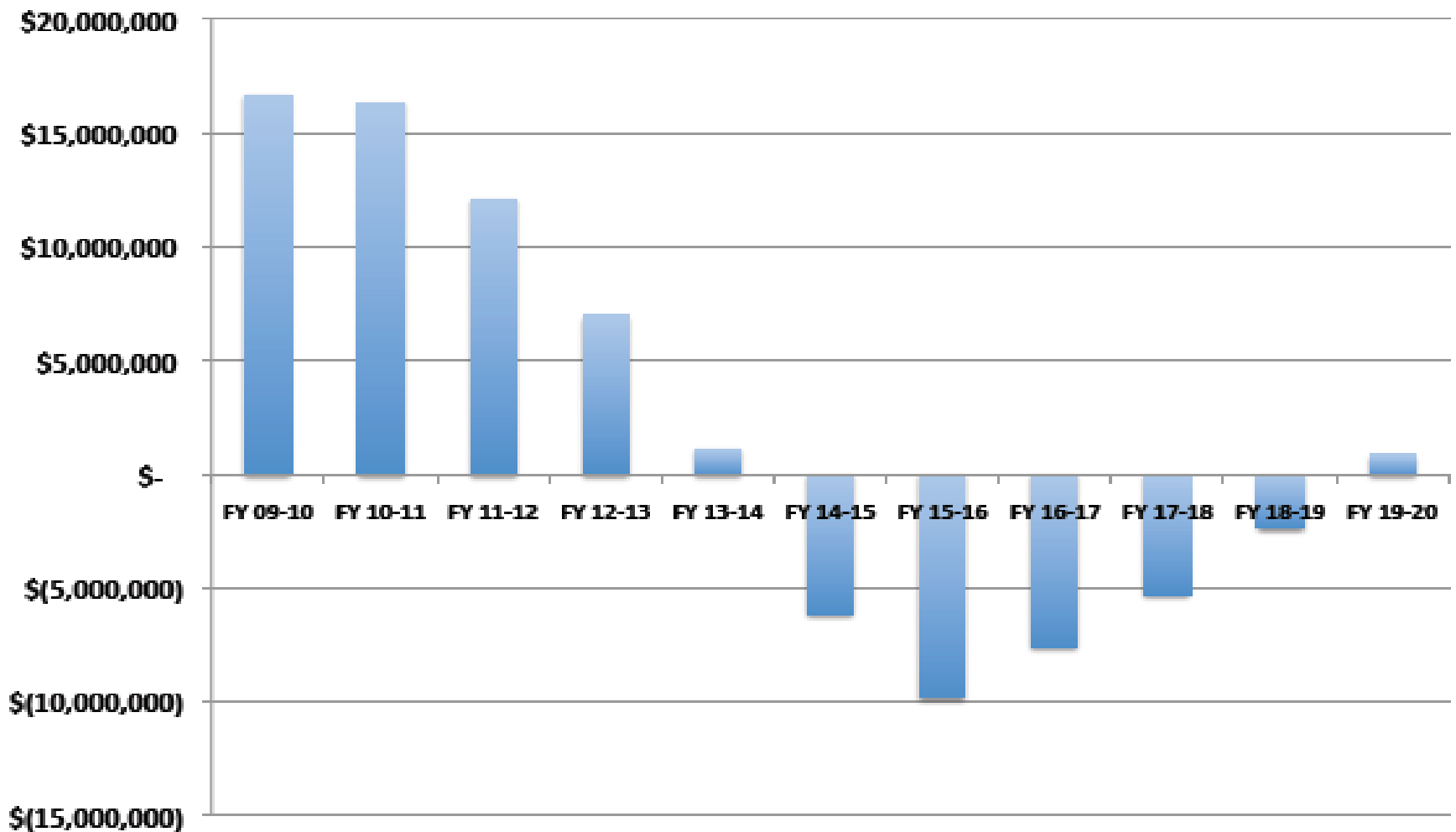


Five-Year Construction, Five-Year Extended Payments, No Cost Cap





Five-Year Construction, Five-Year Extended Payments, \$450 Cost Cap



LODI WATER METER MANDATE
(MARCH 17TH, 2010, AGENDA ITEM J-2)

PERSPECTIVES AND CLARIFICATION REQUEST

1. The Intent and Spirit of installing water meters in Lodi (Thank You)

- a, Shows a truly 'green' essence in our community
- b. Shows commitment to a true capitalist conversion of city services
(e.g. People who own pools vs. those who just shower)

2. The Application Plan for the Water Meters could be **Incompatible?**

- a. Nothing in agenda that states **how** 'homeowners' **will** be charged
- b. Do you mean charging City of Lodi account holders?
- c. Account holders are not necessarily the owners of the home occupied
- d. Does City of Lodi utility accounts indicate owner vs. renter?
- e. Should Renters be held liable for 'city mandated' modifications?

3. Abandonment and Accountability Issues?

- a. **Example 1: If 'homeowner' pays meter bill for two years, sells house, and new owner takes on will the new homeowner be charged?**
 - Tracking 'history of meter installation payments' headache
- b. **Example 2: Property is abandoned AFTER meter is paid but not yet PAID OFF, who picks up the reference, City or Citizen?**
 - Example 3: 'Homeowner' pays the amount for 7 years, and the *after* amount of time sells the house; the new owner reaps all the benefits?

4. Water Rates and Comparison of Rates

- a. **Shouldn't proposed water rates be *clearly* indicated?**
- b. The WHOLE PACKAGE not just part of it (what we're getting into)
- c. Justifiable Rate Comparison sample of Cities metering water NOW
 - North, Central and especially Southern California recommended
- d. What is the Average Estimate a household will be charged via rates?
- e. Urban vs. Agricultural vs. Scholastic vs. City Building vs. Business..
 - Hope this doesn't hurt Agricultural in any way (Wine Industry)

5. City vs. Community ("Potential" Compromise Imbalance)

- a. Proverbial 'give and take' is *one-sided*
- b. Disparity of "Potential" Compromise Chart:

PROPERTY OWNER

CITY OF LODI

I. Pays per Water USED
(e.g. Bottle of Water)

I. Phases out Conservation Dept?
(Rules and Enforcement Removed)

II. Pays for the Meter Installed

II. ? (Lower Rates Perhaps?)

+

III. Pays for Taxes on Project

III. ? (Tax Credits/Breaks?)

6. Class 1 through 5 pre-definition on a home (Inappropriate?)

- a. Particularly the "pre-1979" section on classification \$150 vs. \$1,100
- b. Long standing home owners, with properly installed and paid for homes at the long shaft on this mandate?
- c. Does this go against any housing/discrimination codes?
 - . If the piping is no longer 'up to code' but has been *until now*, does that infringe on property owners rights by being singled out?
 - . If you go ahead with charging owners for meter installation, you will hear a tremendous outcry especially on this part of the plan

7. Consider the Questions and Resolution

- a. Most likely more questions will arise from other folks
 - If I am asking these questions now...
- b. Research into possible FUNDING/STIMULUS/TAX CREDITS?
 - A "RESPONSIBLE ACT OF CONSERVATION" is proposed
- c. It would be understandable to **withdraw**, take this quickly back to the drawing board and resubmit a new plan
- d. There is a lot that needs to be CLARIFIED before any action taken
- e. Success of a plan is not just in the application, but the execution
- f. I am still in favor of metering, please get this right
- g. Water is a very tricky issue for *this* community, tread carefully

Thank you for allowing me the time to submit this to your attention.

X Christopher B. Vigil

Date: 03-17-2010,